MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 3, 2021/2022

DEC5014 – MICROECONOMICS

(All sections/Groups)

8 AUGUST 2022
2.30 p.m – 4.30 p.m
(2 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of 14 pages with 2 sections.

2. Attempt **ALL** questions in Section A and Section B. The distribution of the marks for each question is given.

3. Please write all your answers for Section A on the OMR form provided and all answers for Section B in the Answer Booklet provided.

SECTION A: Multiple Choice Questions (40 Marks)

1. Fundamental economic problems basically arise from _____.

   A. our wants exceeding our scarce resources
   B. the unequal distribution of income
   C. turmoil in the stock market
   D. the fact that society has more than it needs

2. Why are people buying more apples and fewer strawberries? This is an example of a _____.

   A. macroeconomics
   B. microeconomics
   C. economics
   D. finance

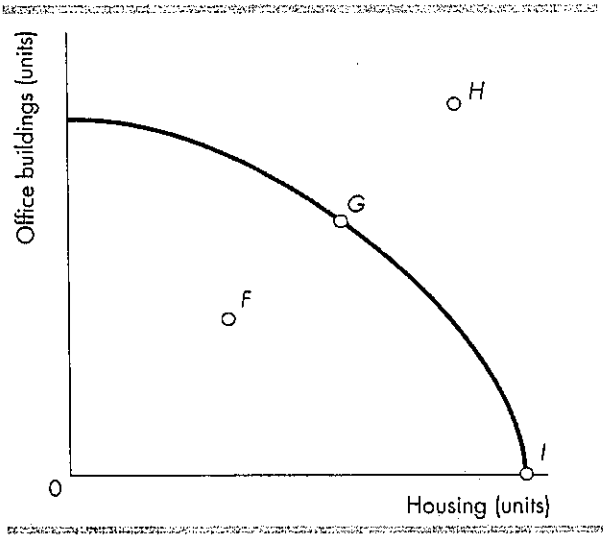

Figure 1

3. Which point in Figure 1 shows that resources to produce office buildings and housing are being misallocated, unused, or both?

   A. Point *G*.
   B. Point *H*.
   C. Point *I*.
   D. Point *F*.

Continued...

4. Moving from one point on the production possibilities frontier to another _____.

   A. involves a tradeoff but does not incur an opportunity cost
   B. involves an opportunity cost but no tradeoff
   C. involves a tradeoff and incurs an opportunity cost
   D. involves no tradeoff but it does incur an opportunity cost

5. The "law of demand" states that, other thing remaining the same, the higher _____.

   A. the price of a good, the lower is the demand for this good
   B. the price of a good, the smaller is the quantity demanded
   C. consumers' incomes, the greater is the demand
   D. the price of a good, the higher is the quantity demanded

6. If the demand for digital cameras increases when consumers' income rise, then digital cameras are _____.

   A. an inferior good
   B. a substitute good for video cameras.
   C. a complement to video cameras
   D. a normal good

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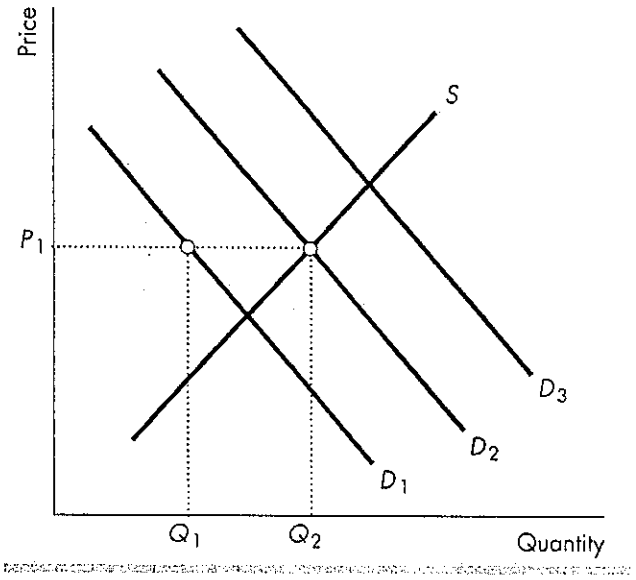

Figure 2

7. In Figure 2, if the demand curve is D_2, then _____.

   A. the equilibrium price will be $P1$ and the equilibrium quantity will be $Q2$
   B. the equilibrium price will be $P1$ and the equilibrium quantity will be $Q1$
   C. there will be a shortage equal to $Q2$ - $Q1$
   D. an increase in price will shift the demand curve to $D3$

8. To say that "supply increases" for any reason, means there is _____.

   A. movement rightward along a supply curve
   B. shift rightward in the supply curve
   C. movement leftward along a supply curve
   D. shift leftward in the supply curve

9. Demand is income elastic if _____.

   A. a large percentage increase in income results in a small percentage increase in quantity demanded
   B. an increase in income does not affect the quantity demanded
   C. the good in question has close substitutes
   D. a small percentage increase in income results in a large percentage increase in quantity demanded

Continued...

10. The price elasticity of demand for purses is measured in what units?

A. Dollars.
B. Purses.
C. Dollars per purse.
D. The price elasticity of demand is a unitless measure.

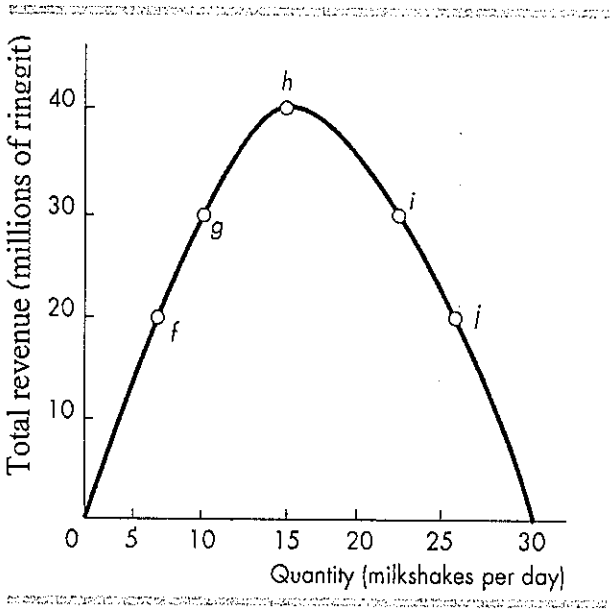

Figure 3

11. Figure 3 shows the behavior of total revenue as price falls along a straight-line demand curve. What is the price elasticity of demand if total revenue is given by point *f*?

A. Demand is elastic.
B. Demand is inelastic.
C. Demand is unit elastic.
D. Demand is perfectly elastic.

12. Which goods have more elastic demands?

A. Goods which are necessities.
B. Goods with few substitutes.
C. Goods with many substitutes.
D. Goods whose purchase represents a small percentage of income.

Continued...

13. A measure of all the benefit you get from all the coffee you consume is your _____.

A. marginal utility of coffee
B. total utility from coffee
C. marginal utility per dollar spent on coffee
D. marginal utility per dollar spent on coffee when you are in your consumer equilibrium

14. Marginal utility is the _____.

A. total satisfaction that a person gets from the consumption of all of the units of a good consumed
B. maximum price that a consumer is willing to pay for an additional unit of a good
C. change in satisfaction that results from a one-unit increase in the quantity of a good consumed
D. additional cost to a consumer when an additional unit of a good is consumed

15. Manesha is a college student who likes to buy only two goods: which are Coke and Pepsi. Her utility for these two goods depends on _____.

I. Manesha's preferences for Coke and Pepsi
II. The prices of Coke and Pepsi
III. Manesha's income

A. I only.
B. II only.
C. I and II.
D. I and III.

Continued...

Consumption possibility	Video games (quantity)	Baseball cards (quantity)
A	10	0
B	8	1
C	6	2
D	4	3
E	2	4
F	0	5

Table 1

16. Hassan's consumption possibilities are listed in the Table 1. He can choose either to go to the arcade and play video games or he can purchase baseball cards. The price of each video game is RM0.50 and each pack of baseball cards is RM1. Hassan will spend all his allowance this week on these two goods. What is the amount of Hassan's allowance?

A. RM15
B. RM10
C. RM8
D. RM5

17. Which of the following is part of a firm's opportunity costs?

I. Wages.
II. Utility costs.
III. Interest on a bank loan.
IV. Interest foregone on funds used to buy capital equipment.

A. I and II.
B. III and IV
C. I, II, and III.
D. I, II, III and IV.

18. The difference between the market price of a new car used by a firm and the market price of the same car one year later is known as _____.

A. physical depreciation
B. economic deterioration
C. economic depreciation
D. physical deterioration

Continued...

19. The short run is a time frame in which _____.

A. the quantities of all resources can be varied
B. the quantities of all resources are fixed
C. the quantities of some resources are fixed and the quantities of other resources can be varied
D. all costs are sunk costs

20. Marginal cost _____ as the quantity produced is increased.

A. first increases and then decreases
B. first decreases and then increases
C. always increases
D. always decreases

21. In perfect competition, the product of a single firm _____.

A. has many perfect substitutes produced by other firms
B. has many perfect complements produced by other firms
C. is sold under many differing brand names
D. is sold to different customers at different prices

22. In perfect competition, restrictions on entry into an industry _____.

A. apply to both capital and labor
B. apply to labor but not to capital
C. do not exist
D. apply to capital but not to labor

23. In a perfectly competitive industry, the demand for a single firm's product is perfectly elastic _____.

A. because this firm is a price maker
B. because this firm's output is a perfect substitute for any other firm's output
C. only in the long run
D. because there are many buyers in this market

24. For a perfectly competitive firm, no matter how much the firm produces, price always equals _____.

A. marginal product
B. average total cost
C. minimum average total cost
D. marginal revenue

Continued...

25. Which of the following can create a monopoly?

I. High prices.
II. Public franchise.
III. Patent.
IV. Government license.

A. I and II.
B. I and III.
C. I, II, and III.
D. II, III, and IV.

26. When DeBeers monopolised the world's diamond supply, it was able to do so because it _____.

A. owns virtually all of a key resource
B. has a government license
C. is a public franchise
D. is a price setter

27. All of the following are examples of price discrimination **EXCEPT** _____.

A. buy one get one free offers
B. "buy now, pay later" payment options
C. "early bird specials" at a restaurant
D. lower ticket prices for matinee performances

28. For a single-price monopolist, price is _____ marginal revenue.

A. less than
B. business barriers
C. greater than
D. less than or equal to but never more than

29. Firms in monopolistic competition charge prices that are _____ those of the other firms in the market.

A. very different from
B. close to
C. the same as
D. completely unrelated to

Continued...

30. Which of the following **BEST** explains why monopolistically competitive firms face a downward sloping demand curve while perfectly competitive firms do not?

A. Monopolistically competitive industries have only a few firms.
B. Monopolistically competitive firms have barriers to entry.
C. Monopolistically competitive firms sell a differentiated good.
D. Only industries with free entry and exit have firms that face horizontal demand curves.

31. Product differentiation exists within an industry if _____.

A. there are close but not perfect substitutes for a product
B. the firm can sell all it wants at the chosen price
C. there are no substitutes for a product
D. there is a monopoly

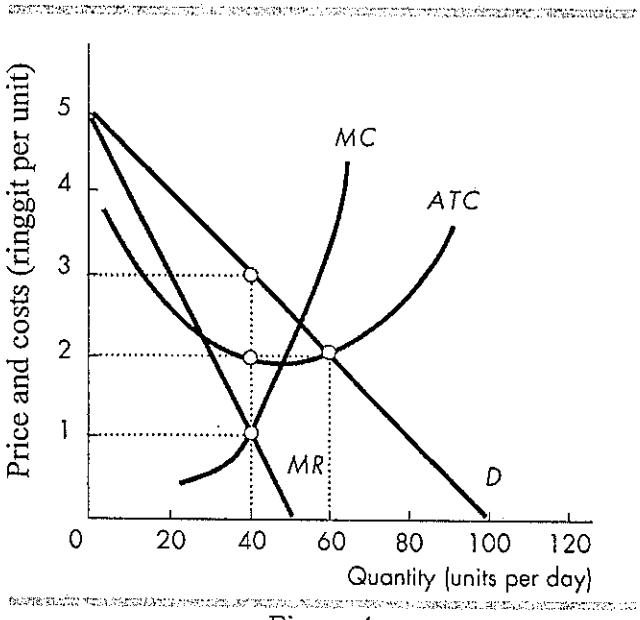

Figure 4

32. Based on Figure 4, if the firm is in monopolistic competition, it will produce _____.

A. 40 units
B. 60 units
C. between 61 and 99 units
D. 100 units

Continued...

33. When producers agree to restrict output, raise the price, and increase profits, the agreement is called _____.

A. a pricing agreement
B. an oligopoly agreement
C. a collusive agreement
D. a monopoly agreement

34. Game theory is a tool for studying _____.

A. strategic behavior
B. rational dilemmas
C. payoff dilemmas
D. Nash behavior

35. The distinguishing features of oligopoly are _____ and a _____ in the industry.

A. barriers to entry; large number of firms
B. no barriers to entry; few firms
C. no barriers to entry; large number of firms
D. barriers to entry; few firms

36. In _____ market structure, a firm's output depends _____.

A. an oligopoly; only on its own marginal revenue and marginal cost curves
B. an oligopoly; in part on its competitors' price and quantity decisions
C. a monopolistically competitive; only on its marginal revenue curve
D. a monopolistically competitive; in part on its competitors' price and quantity decisions

37. The demand for labor is a derived demand because it is derived from _____.

A. the supply of labor
B. union pressure
C. the demand for the output the labor produces
D. natural law

38. The value of marginal product of labor is the change in _____.

A. total revenue from hiring one more worker
B. profit from hiring one more worker
C. output from hiring one more worker
D. profit from producing one more unit of output

Continued...

39. In the short run, _____ increases the quantity of labor demanded by the firm.

A. a decrease in the price of the firm's output
B. an increase in the prices of other factors of production used by the firm
C. a technological advance that decreases the marginal product of labor
D. a decrease in the wage rate

40. As a competitive firm hire increasing amounts of labor, the value of marginal product of labor _____.

A. decreases
B. increases
C. remains constant
D. decreases then increases

(Total: 40 marks)

Continued...

SECTION B: Structured Questions (60 Marks)

QUESTION 1

(a) Differentiate Microeconomics and Macroeconomics. Provide **ONE** example for each. (5 marks)

(b) Briefly explain **FOUR (4)** factors of production used into the process of production. (8 marks)

(c) Define production possibility frontier (PPF). (2 marks)

(Total: 15 marks)

QUESTION 2

(a) Table 5 gives Halim's consumption possibilities on two goods which are apple and orange.

Consumption possibility	Apple (quantity)	Orange (quantity)
A	20	0
B	16	2
C	12	4
D	8	6
E	4	8
F	0	10

Table 5

i. Draw a budget line showing Halim's consumption possibilities. (4 marks)

ii. What is the amount of his allowance if the price each apple is RM0.50 and each orange is RM1? (2 marks)

iii. What is the opportunity cost for Halim of moving from consumption possibility D to E when consuming 1 orange? (2 marks)

(b) Differentiate technology efficiency and economic efficiency. (4 marks)

(c) List **THREE (3)** cost concepts in the short-run cost. (3 marks)

(Total: 15 marks)

Continued...

QUESTION 3

(a) Briefly explain why the demand for a firm under perfect competition is perfectly elastic? (2 marks)

(b) Ah Keong's farm produces and sells corn. The market for corn is perfectly competitive. The market price for corn is RM3 per kg. The relationship between the farm's output and total cost is shown in the Table 6. Kindly re-write the table above in your answer script.

Quantity (kg per day)	Total cost (per day)	Marginal Cost (MC)	Total Revenue (TR)
0	500	-	-
150	713		
200	800		
250	838		
300	900		
350	1 ,063		

Table 6

i. Calculate the Marginal Cost (MC), Total Revenue (TR) and Marginal Revenue (MR) for production of corn. (5 marks)

ii. If Ah Keong produces corn at 250 kg, how much is his total cost and his economic profit or economic loss? (2 marks)

(c) Define the following and provide **ONE** example for each.

i. Single-price monopoly market structure. (3 marks)

ii. Price discrimination in monopoly market structure. (3 marks)

(Total: 15 marks)

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QUESTION 4

(a) There are few characteristics of a monopolistic competition market; a large number of firms compete, and each firm produces a differentiated product. Briefly explain these characteristics with example. (6 marks)

(b) Briefly explain the price and output in monopolistic competition. (4 marks)

(c) One of the oligopoly's characteristics is small number of firms. Discuss this characteristic with example. (5 marks)

(Total: 15 marks)

End of Paper